NOVEMBER 4, 2019

Weekly Market Update

General Market News

- Last week saw a lot of volatility in rates, with the 10-year Treasury yield as high as 1.85 percent and as low as 1.67 percent. It opened at 1.75 percent on Monday. The 30-year experienced similar movements, with a high of 2.35 percent and a low of 2.16 percent. It opened at 2.23 percent on Monday. The 2-year moved from as high as 1.66 percent to as low as 1.50 percent, following the same pattern after Wednesday's interest rate cut.
- Global equity markets rallied last week, as easing trade tensions, a strong employment report, and better-than-expected earnings helped support markets. Trade tensions eased, following the news that Trump and China's President Xi Jinping would likely continue to sign the "phase one" part of their deal, despite the APEC Trade Forum event being canceled amid civil unrest in Chile. China stated that it had reached a consensus with the U.S. on core trade concerns on Friday.
- With approximately 70 percent of the S&P 500 having reported so far, the blended earnings growth rate stands at –2.7 percent, compared with expectations for a rate of –4 percent going into the quarter. The top-performing sectors on the week were health care, technology, and industrials. The underperforming sectors were REITs, energy, and utilities.
- Tuesday saw the release of the Conference Board Consumer Confidence Index for October. Confidence increased modestly from 125.1 to 125.9 during the month, which was below expectations for an increase to 128. Despite the slight uptick in October's index level compared with September, consumer confidence sits well below July's recent high of 135.8. This marks the second straight month of declining confidence on a year-over-year basis, with October's reading down more than 7.5 percent from a year ago.
- On Wednesday, we saw the first estimate of third-quarter gross domestic product growth. The economy grew by 1.9 percent on an annualized basis in the third quarter, which was better than the 1.6 percent annualized growth that economists expected. This result is down from the 2 percent growth rate in the second quarter and 3.1 percent in the first. This slowdown in the third quarter was due to lowered government spending and business investment, as political and economic uncertainty negatively affected spending.
- Wednesday also saw the release of the Federal Open Market Committee rate decision. The Federal Reserve (Fed) voted to cut the upper limit of the federal funds rate by 25 basis points, from 2 percent to 1.75 percent. This marks the third straight meeting where the Fed has voted to cut rates, as lackluster employment reports and falling inflation figures have spurred the central bank into action to support the current expansion.
- On Thursday, September's personal income and personal spending reports

General Market News (continued)

were released. Spending increased by 0.2 percent during the month, up from 0.1 percent growth in August. This marks the seventh straight month of spending growth, and the acceleration in September was quite welcome. Personal income rose by 0.3 percent in September, which was in line with expectations.

- On Friday, the October employment report was released, showing an additional 128,000 new jobs were added during the month. This result was much better than the 85,000 that economists expected. September's results were also revised up to 180,000. This better-than-expected result came despite the General Motors (GM) strike that started in September and lasted through most of October.

- Finally, we finished the week with Friday's release of the Institute for Supply Management (ISM) Manufacturing index for October. Manufacturer confidence increased slightly from 47.1 in September to 48.3 in October against expectations for a larger increase to 48.9. This is a diffusion index, where values below 50 indicate contraction. So, while the increase was welcome, it still leaves the manufacturing sector of the economy in a recessionary state. This marks the third straight month where manufacturer confidence came in below 50.

Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	1.49	0.97	24.36	14.23
Nasdaq Composite	1.75	1.13	27.49	14.07
DJIA	1.44	1.11	19.51	10.38
MSCI EAFE	1.19	0.57	18.11	11.58
MSCI Emerging Markets	1.30	0.69	11.48	11.26
Russell 2000	1.99	1.72	19.21	4.39

Source: Bloomberg

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.15	8.68	11.25
U.S. Treasury	–0.23	7.54	10.70
U.S. Mortgages	–0.02	5.95	8.78
Municipal Bond	–0.01	6.94	9.51

Source: Morningstar Direct

What to Look Forward To

The week will start with Tuesday's release of the September international trade report. Economists expect the trade deficit to narrow during the month from $54.9 billion in August to $52.5 billion in September. Previously released reports showed declining exports in September, with some of the falloff linked to the GM strike. Yet larger declines in imports are expected to be more than enough to offset the exports decline and shrink the deficit.

Also on Tuesday, the ISM Nonmanufacturing index will be released. This gauge of confidence for the service sector is set to increase slightly from 52.6 in September to 53.4 in October. While such an increase would be welcome, business confidence has been decreasing all year. Last October, this index sat at 60.

Friday, we'll get the release of the University of Michigan consumer confidence survey. It's expected to show moderate growth from 95.5 in October to 96 in November. As is the case with the ISM Nonmanufacturing index, while a modest monthly increase in confidence would be welcome, a decline is expected on a year-over-year basis. High consumer confidence has supported increased consumer spending throughout much of this year. So, a better-than-expected result here would bode well for future spending growth.

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